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UNCLAS SECTION 01 OF 02 AMMAN 005676

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E.O. 12958: N/A

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SUBJECT: AMBASSADOR'S VISIT TO KERAK QIZ

SENSITIVE BUT UNCLASSIFIED. PROTECT ACCORDINGLY.

**¶11. (SBU) SUMMARY:** During a June 23 visit to the Kerak QIZ, Ambassador led the press through a tour of Camel Textile's factory-based training center helping to build skills of local Jordanian garment workers. In a separate, private tour, the Ambassador witnessed a rapidly growing garment factory of 3500 workers that has recruited most if not all of the local Kerak workforce and shuttles in others from as far away as the Jordan Valley. The in-factory training program is evidence the government gets the message that it needs to pay attention to its population's skills set. Camel Textile's factory director proposed single-factory QIZs in areas where needed workers live. END SUMMARY.

Inside the QIZ's Walls of Opportunity

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**¶12. (U)** Kerak QIZ is a walled compound in the middle of the desert on the main highway some 20 minutes to the east of Kerak. Ambassador toured the sprawling Camel factory zone where modern, light-industry factory sheds house some 3500 workers, half of whom are Jordanians and half mainland Chinese. On row after row of production lines, the Ambassador saw rural Jordanians from the Kerak area for the first time earning paychecks from industrial employment. The factory expects to hire an additional 1000-1500 workers by the end of the year, evidenced by new building construction. A modern cafeteria building and newly finished on-site dormitories at Camel provide the basic necessities to the Chinese workers. Camel Textile International Corporation is run by Kuohwa Garment and Enamel Industry of Taipei, Taiwan. Director Jay Yuan explained that the company has garment factories in a handful of countries strategically located around the world, in part as a stopgap measure against any unforeseen circumstances such as the SARS outbreak in Asia or security-related delivery problems. Camel's customers include Liz Claiborne, JC Penney, and Lee. They produce a monthly average of about 2.6 million units of mainly knits over two shifts per day.

**¶13. (U)** On the training line, the Ambassador saw about 60 young women being trained by Tunisian experts on production-level sewing skills. The trainers are funded as part of a GOJ effort begun last fall to train 4000 Jordanians in the first year. (COMMENT: Whether the target is met is a matter of some doubt, mainly due to a shortage of raw recruits in or near the QIZ areas. END COMMENT.) The factory pays all trainees a starting wage for the duration of the training period, which can last from five weeks to three months. The Ambassador chatted briefly with the training line manager, a young woman from Kerak who had worked her way up to her current JD 200 per month position (about USD282). Press coverage of the training center was extensive, with at least four dailies releasing article and photos the next day and noting the continued need to train Jordanians to work in QIZ garment factories.

Bring the QIZ Factories to the People?

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**¶14. (SBU)** In a discussion with Camel's Jay Yuan, other Camel executives, and Amer Majali, head of the Jordan Industrial Estates Corporation (JIEC), the Ambassador heard about the challenges faced with the end of the Multi Fiber Agreement and quotas in 2005, thus depriving Jordan QIZs of their no-quota advantage. Camel executives seemed content with the current, self-imposed restrictions on Chinese imports to the U.S. at least until 2008. Camel was upgrading some of its product lines as well. Turning to the general labor shortage, Yuan noted that Camel is already transporting Jordanian workers to the factory from as far away as the Jordan Valley in 80-minute drives one way. He proposed that if Camel were allowed to take the factory to such an area, it could employ up to 1000 persons in the area. By assigning such a plant QIZ status, it could create more jobs for Jordanians, he said. The Ambassador thanked Yuan for the suggestion saying that he understood the concept, but that it might need further study, if the ways and means were there to

implement it.

15. (SBU) Amer Majali, whose JIEC owns the Kerak QIZ, was extremely skeptical about the idea. He referred to the difficulties involved in securing three-way agreement to any outside-the-QIZ standalone factory. (COMMENT: Kerak, with just two operating garment factories, has not been able to attract additional investors to the QIZ, in part because the current QIZ estate manager is a local townsman nearing retirement age and with few ideas, ensconced in what appears to be his last sinecure. Majali would see the idea as competing with the development of the government-owned QIZs he manages, including both Kerak and the more dynamic Al Hassan QIZ in the north. END COMMENT.)

Expo Uniform Attracts U.S. Investment

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16. (U) In a separate visit to a nearby factory just in the process of opening, the Ambassador spoke briefly with Saleh Bin Tareef, General Manager of the Expo Uniform Inc. a 40 percent co-investor with an American. Bin Tareef had earlier explained that the factory will begin with 200 employees, but hoped to employ 400 by the end of the year.

Why Not Try Standalone QIZs Nearer to the Workforce?

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17. (SBU) EMBASSY COMMENT: Jordan has shown over the last six years of QIZ experience that it can avoid the problems of trans-shipment or not enough local content in the product, two good reasons to control the geographic areas in which QIZs are established, so as to monitor factory production. It makes sense to build more factories closer to the workforce concentrations. Though managing customs and other logistics would admittedly not be easy, why send thousands on wasted shuttle-bus journeys when just a few officials could be relocated? The El Zay factory QIZ proves that it can be done, and quite successfully by all accounts. To be sure, current QIZ estate owners would be upset, especially the government, which invested heavily in land for QIZs and may not, as in Kerak, ever recoup its investment. But some of the current private QIZ investors would likely embrace a sub-zone concept that included them in the picture. If, for example, Tajamouat QIZ could build Tajamouat QIZ II factory in the Jordan Valley, that might work. It would certainly solve the labor shortage problem and be a sign that the government cared about the livelihood of its people.

GNEHM